

Message Text

CONFIDENTIAL

PAGE 01 ALGIER 02833 211012Z

16

ACTION XMB-04

INFO OCT-01 NEA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 EUR-12

/090 W

----- 004372

P 201727Z DEC 74

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC PRIORITY 1590

C O N F I D E N T I A L ALGIERS 2833

E.O. 11652:GDS

TAGS: EFIN, AG

SUBJ: ALGERIAN GAS PROCESSING PLANT

PASS EXIM

SUMMARY: PRITCHARD INTERNATIONAL HAS BEEN GIVEN A LETTER OF INTENT BY SONATRACH TO BUILD GAS PROCESSING PLANT FOR ABOUT 200 MILLION DOLLARS. TIME IS OF ESSENCE IF PLANT IS TO BE FINISHED IN TIME TO SUPPLY EL PASO I GAS FOR U.S. CONTRACT DEPENDENT ON EARLY EXIM COMMITMENT OF LOANS SO FINANCING CAN BE CITED IN CONTRACT TO BE SIGNED JANUARY 15, 1975. PROCESSING PLANT IS LAST STEP IN EL PASO PROJECT FINANCED BY EXIM SO PARTIES LOOK FOR EARLY APPROVAL. EMBASSY RECOMMENDS FAST RESPONSE TO PRITCHARD'S FINANCING REQUESTS. END SUMMARY.

1. PRITCHARD INTERNATIONAL CORPORATION WAS GIVEN ON DECEMBER 19, 1974 A LETTER OF INTENT TO CONSTRUCT FOR SONATRACH A 20 BILLION CUBIC METERS A YEAR GAS PROCESSING PLANT AT HASSI R'MEL. PLANT IS ESSENTIAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ALGIER 02833 211012Z

FIELD LINK FOR EL PASO I LNG PROJECT PRESENTLY

UNDER CONSTRUCTION. PROCESSING PLANT IS LAST REMAINING LINK IN THIS HUGE PROJECT FOR DELIVERY OF GAS TO UNITED STATES WITH TENTATIVE START-UP DATE OF JULY 1976.

2. PLANT WILL CONSIST OF THREE TRAINS. ESTIMATED COST IS ABOUT DOLS. 200 MILLION. FIRST TRAIN IS TO START UP ON APRIL 1977 OR WITHIN 28 MONTHS OF DATE OF CONTRACT WHICH IS SPECIFIED IN LETTER OF INTENT AS JANUARY 1, 1975. REST OF PLANT WILL BE FINISHED WITHIN FOLLOWING 8 MONTHS. ALONG WITH PROCESSING 20 BILLION CUBIC METERS OF GAS A YEAR, PLANT WILL PRODUCE 200,000 BARRELS OF CONDENSATE A DAY OR ABOUT ONE MILLION TONS A YEAR.

3. AS INDICATED ABOVE, TIME IS OF ESSENCE. CONSTRUCTION SHOULD HAVE BEGUN A YEAR AGO, BUT PRITCHARD HAS NOT BEEN ABLE TO COME TO REASONABLE TERMS WITH SONATRACH. DESPITE NEGOTIATIONS GOING BACK FOR 2 1/2 YEARS, AND COMPLETION OF A MILLION DOLLAR ENGINEERING STUDY LAST SPRING. TERMS FINALLY AGREED ARE BREAKTHROUGH FOR MAJOR CONTRACT WITH ALGERIA. ALGERIANS HAVE AGREED TO PAY ALL COSTS OF OCEAN FREIGHT, PORT CHARGES, AND INLAND TRANSPORTATION. ALGERIANS HAVE ALSO AGREED TO ENLARGE AIRPORT AT HASSI R'MEL OR GHARDAIA FOR DIRECT TRANSPORTATION OF WORKERS TO FIELD AND TO SET UP SPECIAL PORT, CUSTOMS AND VISA FACILITIES FOR PROJECT. ALGERIANS WILL PAY REAL COST OF MANY RELATED FACILITIES LIKEHOUSING, SPECIAL TRUCKS, ETC. ALGERIANS HAVE ALSO AGREED TO ESCALATION CLAUSES ON LOCAL, CIVIL WORK AND TO UPDATE U.S. PURCHASE COSTS TO DECEMBER 1974. GENERALLY IT MOST REALISTIC U.S. CONTRACT EMBSSY HAS ENCOUNTERED AS FAR AS RECOGNIZING SPECIAL COSTS OF DOING BUSINESS IN ALGERIA.

4. WILLIAM FRIEND, PRESIDENT OF PRITCHARD INTERNATIONAL HAS BEEN ASSURED BY MEFTI, DIRECTOR OF PRODUCTION AT SONATRACH AND BY OTHERS IN SONATRACH AND RELATED GOA OFFICIALS THAT THIS PROJECT HAS ABSOLUTE TOP PRIORITY IN EYES OF ALGERIANS WHO WANT TO SEE EL PASO CONTRACT OPERATIONAL. THIS JIBES WITH EMBASSY REPORTING ON ALGERIAN NEED FOR FOREIGNEXCHANGE EARNINGS FROM GAS AND CONDENSATE AFTER 1977 DUE TO OIL SHORTFALLS AND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ALGIER 02833 211012Z

DELAYS IN OTHER GAS CONTRACTS.

5. CRITICAL UNRESOLVED PART OF DEAL IS FINANCING. FRIEND EMPHASIZED NECESSITY OF OBTAINING SOME SORT OF EXIM FINANCING BY JANUARY 15 PER LETTER OF INTENT. FRIEND EMPHASIZED NEED TO SHOW EXIM COMMITMENT, OF SOME SORT, IN ORDER TO LINE UP FINANCING WITH U.S. BANKS AND CONFIRM OUTSTANDING ORDERS FOR EQUIPMENT. SEARCH FOR PRIVATE

FINANCING ALREADY BEGUN WITH FIRST NATIONAL OF CHICAGO
AND FIRST NATIONALCITY OF NEW YORK.

6. SONATRACH HAS TAKEN POSITION THAT DOLS. 30.1
MILLION COMMITTED BY EXIM TO FIELD COSTS IN RELATION
TO OBTAINING GAS FOR EL PASO I PROJECT AND THAT
THIS SUM IS IN EFFECT ON CALL. BOUCHARIF, DJELLALI AND
POSSIBLE MEFTI WILL BE IN WASHINGTON DECEMBER 30 AND 31
TO EXPLAIN PROJECT AND THAT THEY WISH DOLS. 30 MILLION
TO BE USED FOR INITIAL EXPENSES OF PRITCHARD PROCESSING
PLANT. EXIM SHOULD BE PREPARED TO MEET WITH PRITCHARD AND
SONATRACH ON THIS POINT. FRIEND BELIEVES COMMITMENT OF
THIS MONEY BY JANUARY 15 TO PROJECT IS ESSENTIAL. THEN
ADDITIONAL FINANCING COULD BE WORKED OUT LATER. PROJECT IS
PRESENTLY ON PAPER AT DOLS. 170.8 MILLION, BUT
ESCALATION CLAUSES WILL BRING IT UP OVER DOLS. 200 MILLION.
OF THIS 200 MILLION DOLS. 140 -150 MILLION WOULD
BE U.S. EXPORTS.

7. EMBASSY HAS FREQUENTLY HEARD OF PROMISE OF
FINANCING ADDITIONAL PARTS OF EL PASO I CONTRACT, BUT
DETAILS HAVE BEEN VAGUE. REGARDLESS OF DETAILS, BELIEF
EXISTS ON ALGERIAN SIDE THERE IS A COMMITMENT. EMBASSY
RECOMMENDS THAT, IF AT ALL POSSIBLE, EXIM SEEK TO FINANCE
SOME PART OF PRITCHARD PROCESSING PLANT, SO AS TO ALLOW
PRITCHARD TO REFER TO EXIM FINANCING IN CONTRACT TO BE SIGNED
JANUARY 15, 1975. SONATRACH HAS EXPRESSED VIEW THAT
PROJECT SO IMPORTANT IT MUST PROCEED AND CANNOT BE HELD
UP BY FORMALITIES. HOWEVER, CONSIDERING BACKGROUND OF EL PASO
PROJECT AND ITS IMPORTANCE IN IMPROVING US/ALGERIAN RELATIONS
IT WOULD BE MISTAKE TO BOW OUT NOW BOTH FROM POLITICAL
POINT OF VIEW AND FROM ECONOMIC POINT OF VIEW.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ALGIER 02833 211012Z

9. IN TALKING TO SONATRACH OFFICIALS EXIM
SHOULD CLARIFY THAT LOAN TO PRITCHARD WAS LAST
IN CONNECTION WITH EL PASO PROJECT. EMBASSY WOULD
ALSO APPRECIATE CLARIFICATION ON THIS POINT.

10. ALSO IN TALKING TO SONATRACH OFFICIALS EXIM MIGHT RAISE
THE QUESTION OF GAS PRICES AND THAT CONCESSIONARY
BORROWING RATES SHOULD ALLOW SONATRACH TO MAINTAIN LOW EL PASO I
GAS PRICE. SONATRACH HAS TURNED DOWN A SPECIFIC
COMMITMENT TO THIS EFFECT WITH EUROPEANS, BUT SOME
UNDERSTANDING MIGHT BE AGREED UPON.

12. OTHER COMPTEITORS FOR THIS PLANT, HUDSON
ENGINEERING AND CANADIAN GROUP, WILL PROBABLY CONTINUE
TO NEGOTIATE WITH SONATRACH FOR THEIR GAS PROCESSING -

REINJECTION PROJECTS. HOWEVER, THERE ARE LARGER, MORE COSTLY PROJECTS THAT COULD NOT BE COMPLETED IN TIME FRAME OF EL PASO I.

13. PRITCHARD HAS BUILD ONE SMALL PROCESSING PLANT AT HASSI R'MEL AND HAS ALMOST COMPLETED A LIQUIFICATION PLANT AT SKIKDA. IN BOTH CASES WORK FELL BEHIND SCHEDULE, BUT IT MEANS COMPANY HAS EXPERIENCE WORKING IN ALGERIA.

14. EMBOFF BELIEVES PRITCHARD NEEDS CONTRACT FOR ITS OVERALLPOSITION. IT ALSO NEEDS TO MAKE DOWNPAYMENTS ON EQUIPMENT FOR PROJECT IMMEDIATELY IF IT IS TO MEET CONSTRUCTION SCHEDULE AND ONLY WAY OF MOVING THIS QUICKLYIS WITH ASSISTANCEOF EXIM.

15. PLEASE KEEP EMBASSY INFORMED OF PROGRESS OF NEGOTIATIONS ON GAS PROCESSING PLANT.BARR

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, INDUSTRIAL PLANTS, GAS PRODUCTION
Control Number: n/a
Copy: SINGLE
Draft Date: 20 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ALGIER02833
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740372-0206
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741220/aaaaarau.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2002 by martinml>; APPROVED <28 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALGERIAN GAS PROCESSING PLANT PASS EXIM
TAGS: EFIN, AG, PRITCHARD INTERNATIONAL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005